

FISCAL NOTE

Bill #: SB0514

**Title: Look-back assessment on timberland
converted to residential use**

Primary

Sponsor: Bob Keenan

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund	\$5,400	\$0
Revenue:		
General Fund	0	3,690
University Account (6 mills)	0	233
Net Impact on General Fund Balance:	(\$5,400)	\$3,923

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. This proposal is effective January 1, 2000.
2. Landowners that indicate on an application form that they do not intend to eventually harvest standing timber from the property are not eligible for forest land classification.
3. The rollback tax is due and payable by the seller of the property.

(continued)

4. The rollback tax only affects individual forestland ownerships that total 2,500 acres or more in one county.
5. This proposal impacts approximately 20 to 25 private forestland ownerships that total 2,500 acres in a county.
6. The rollback tax affects only the forestland on parcels containing a mixture of forest and nonforest land.
7. All purchasers of forestland affected by this proposal will reapply for forestland classification.
8. Subdivided forestland parcels affected by this proposal must also meet forestland eligibility requirements found in 15-44-102 (see [section 3(b)]).
9. The one-acre under a new residential or commercial building that is constructed on forestland is subject to the rollback tax by landowners affected by this proposal.

REVENUE IMPACT:

10. This proposal will create a minimal and infrequent increase in revenue from the rollback tax for the following reasons:
 - Large forest landowners that subdivide their land typically create new land parcels that meet the state's minimum forestland acreage requirement (15 acres).
 - Residential homes or commercial buildings that are built on ownerships addressed in this proposal are often constructed on nonforest land. Changes in nonforest classification are excluded from the rollback tax in this proposal.
 - Large landowners will place forestland they intend to subdivide into another ownership (less than 2,500 acres) prior to conducting sales to avoid the rollback tax.
11. In FY2001, landowners that have indicated on previous forest land application forms that they *do not* intend to harvest standing timber from their property will be removed from forestland classification. The estimated increase in property tax revenues in FY2001 is \$15,150 that will be distributed \$3,690 to the general fund; \$233 to the university account; and \$11,227 to local governments and schools. This increased revenue in FY2001 will decrease in succeeding years as landowners re-file new applications stating that they *will* eventually harvest standing timber from their property.

ADMINISTRATIVE COSTS:

12. The department's staff must place an immediate work priority on any realty transaction that is affected by this proposal. However, because very few realty transactions are affected by this proposal, staff time to calculate rollback taxes is minimal.
13. Current law does not require landowners to eventually harvest their standing timber to receive forestland classification. Since the new forest tax system was implemented in 1994, many landowners have indicated that they *do not* intend to eventually harvest their standing timber. The department's staff will review forestland applications that are currently on file and remove forestland classification from landowners that have indicated that they do not intend to eventually harvest standing timber from their ownership. These changes will be done through the department's normal appraisal review process.
14. Under this proposal, forestland eligibility requirements for large forest ownerships are different than forest ownerships less than 2,500 acres. Each landowner with forestland totaling 2,500 acres or more must file a new application for forestland classification that will be effective January 1, 2000.
15. The department will implement taxpayer education for the landowners affected by this proposal.
16. The Department of Revenue will have to create a new computer data field in the CAMA system. This will require 40 hours of programming time by the CAMA software vendor.

FISCAL IMPACT:

	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$5,400	\$0
<u>Funding:</u>		
General Fund (01)	5,400	0
<u>Revenues:</u>		
General Fund (01)	0	3,690
University Account (6 mills)	0	233
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$5,400)	\$3,690
University Account (6 mills)	0	233

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

In FY2001, landowners that have indicated on previous forestland applications that they ***do not*** intend to harvest standing timber from their property will be removed from forestland classification. The estimated increase in property tax revenues in FY2001 is \$11,227 to local governments and schools. The impact from the rollback tax will be minimal.

LONG-RANGE IMPACTS:

This proposal will create a minimal and infrequent increase in revenue from the rollback tax

TECHNICAL NOTES:

1. As proposed, portions of sections 2 and 3, that address the seller as liable for the rollback tax at the time of the sale are unworkable. The department is not aware of a sale transaction until a realty transfer certificate is filed with the county Clerk of Records Office. By this time, the seller may be absolved of any tax liability for the property. Therefore, the purchaser is the party liable for the tax and any lien placed on the land.
2. [Section 3 (b)] requires the new owner to file a new forestland application or the previous owner is liable for the rollback tax. This section raises two administrative problems. First, the department would have to assess a previous owner for a property tax. Second, as proposed, the previous owner would be liable for the actions of the new owner.
3. [Section 3 (1)(a)] states that reclassification of "open space" does not constitute a removal from forestland classification. There is no property tax classification defined as "open space".